

INTERNATIONAL DEVELOPMENT RESEARCH CENTRE

COUNTRY PROFILE

M A L A W I

OTTAWA  
SEPTEMBER, 1973.

## M A L A W I

### HISTORY

The discovery of Lake Nyasa in 1859 by Dr. David Livingstone can be said to mark the beginning of the modern history of Malawi. From 1861, British interests in Malawi were mainly centered on the missionary work of the Universities Mission to Central Africa and the Church of Scotland in Malawi. Malawi during these years saw a succession of invasions, first by Arabs and later by the Portuguese, who were engaged in the lucrative trade in slaves. The missionaries were then followed by other British settlers, in particular traders and hunters, and the steadily growing British interest began to demand some protection from the British Government. In 1883, a British Consulate was established in Blantyre accredited to "Kings and Chiefs of Central Africa". With the growing tide of "the scramble for Africa", it became clear to the British Government that British interests must be protected and in 1889, Sir Harry Johnston "was empowered to make Treaties with the Chiefs of Shire River and Lake Nyasa Regions". Sir Harry Johnston made a series of treaties with the Chiefs in this Region of Malawi. On September 21st, 1889, the then acting British Protectorate was declared over the remaining districts of Nyasaland, and Sir Harry Johnston was appointed Her Majesty's Commissioner and Consul-General for Nyasaland. In 1893, Malawi was renamed the British Central African Protectorate. By the Nyasaland Order-in Council of 6th July, 1907, the name of the territory was again changed to the Nyasaland Protectorate and Legislative and Executive Councils were created and a Governor appointed.

Between 1951 and 1953, a series of conferences worked out the constitutional organization of a federal form of government for Nyasaland, Southern Rhodesia and Northern Rhodesia. By the Constitution Order-in-Council in 1953, the Federation of Rhodesia and Nyasaland came into existence. Further constitutional developments followed in 1955 when the Legislative Council was reconstructed to comprise the Governor as President, four ex-official members, seven official members, six non-African members elected by voters on a non-African electoral roll and five Africans elected by the African Provisional Councils. By January 1959, there was growing political agitation for independence which led to a series of strikes that a state of emergency, which was declared in March 1959, which temporarily precluded further constitutional advances. However, two more African members and two more official members were appointed to the Legislative Council in August, 1959. In July, 1960, a new Constitution was agreed to at a Conference held in London which came into force in 1961 and provided for the first time for the direct election of Malawians to the Legislative Council and introduced a limited adult franchise. The August 1961 elections resulted in a majority for the Malawi Congress Party led by Dr. Banda. The Executive Council was enlarged by the appointment of three ex-official members, two nominated civil servants and five elected members all of whom were appointed Ministers. Another conference was held in November, 1962, and this was followed by a new Constitution in February 1963 under which internal self-government was granted to Malawi, with Dr. Banda as the first Prime Minister. As a

result of the Victoria Falls Conference, held between June and July 1963, the Federation of Rhodesia and Nyasaland was dissolved and Malawi became an independent State on the 6th July, 1964.

#### AREA

Malawi is a landlocked country of 45,747 square miles total surface area - one sixth of which is covered by the waters of Lake Malawi.

Total population mid-1972 - 4.6 million. In relation to it's small land area, the country has a large population, which is concentrated in the fertile southern and central regions. The mountaineous region is an important area for future development, particularly forestry.

#### CONSTITUTION

A new constitution came into force in 1966 which made Malawi a one party State with a Presidential form of Government. There is a Parliament of 75 members.

The following rights are guaranteed by the 1966 Constitution. "Life, personal liberty, protection from slavery and forced labour, from inhuman treatment, from deprivation of property, privacy of the home, security under the law, freedom of conscience, of expression, of assembly and association, of movement and protection from racial discrimination.....".

### THE PRESIDENT

Malawi is a Republic with a President. By an amendment of the Constitution in November 1970, provision was made for a life President and Dr. Banda elected life President.

### PARLIAMENT

There is a Parliament consisting of the President and the National Assembly. The National Assembly has 75 members, 60 elected and 15 nominated members. The Assembly may change the Constitution by a two-thirds majority on second and third readings. All members of parliament must belong to the Malawi Congress Party. The parliamentary term is normally five years and the President has powers to dissolve Parliament.

### EXECUTIVE POWERS

Executive Authority is exercised by the President in his capacity as Prime Minister and Ministers are responsible to the President not to Parliament.

### THE GOVERNMENT

President, Minister of External Affairs, Works and Supplies, Justice,  
Information and Broadcasting, Agriculture and Natural  
Resources - The Ngwazi Dr. Kamuzu Banda

Minister of Finance, Trade, Industry and Tourism: Dick Matenje

Minister of Community Development and Social Welfare: R.T.C. Munyenembe

Minister of Transport, Communications and Labour: J.W. Gwengwe

Minister of State (President's Office): A.A. Muwalo

Minister of Local Government: R.J. Sembereka

Minister of Education and Health: M.M. Lungu

Minister, Northern Region: M.Q.Y. Chibanba

Minister, Central Region: J.T. Kumbweza

Minister, Southern Region: Gwanda Chakuamba

### Political Party

The Malawi Congress Party is the only political party allowed in Malawi.

### TRADE UNIONS

The trade Union Congress of Malawi is the principle trade union.

The following are affiliated unions:

Building Construction, Civil Engineering and Allied Workers Union

Malawi Railway Workers Union

Malawi National Teachers Association

Malawi Government Employees Association

Overseas Officers Association

### RELIGION AND LANGUAGE

Malawi is mostly a Christian country, about 60% of the population is Christian and the rest follow traditional African beliefs. The official language is English and Ki-Swahili is widely spoken.

### DEFENCE FORCES

The Armed Forces comprise one Infantry battalion. Total personnel - 54 officers and 1,050 other ranks.

### LOCAL GOVERNMENT

For local government purposes, Malawi is divided into three regions, Southern, Central and Northern, each headed by a Regional Minister. There are twenty-two districts each administered by a District Commissioner.

### MAIN TOWNS

Zomba (Capital)	19,666
Blantyre	104,461
Lilongwe (New Capital)	19,425
Mzuzu	8,490

### JUDICIARY

The Courts administering justice are the Supreme Court of Appeal, which hears appeals from subordinate courts. The High Court has unlimited jurisdiction in civil and criminal matters. It hears appeals from Magistrates and traditional native courts. Appeals from the High Court is heard by the Supreme Court of Appeal in Blantyre. There are Magistrate Courts in each district of Malawi. Traditional native courts hear cases arising from customary African law.

## INFORMATION

### Press

The following newspapers are published in Malawi:

The African

Kknika

Malawi Government Gazette

Malawi News (the official newspaper of the Malawi People's Congress)

Moni

The Times

The Vision of Malawi (published by the Ministry of Information and Tourism)

### Radio

Malawi Broadcasting Corporation is a Government Statutory Corporation and broadcasts in English and Chichewa.

## EDUCATION

The number of schools (1968) Primary 1,790 with 333,876 pupils and 8,564 teachers, Secondary 43 with 9,283 pupils and 508 teachers, 12 teacher Training Colleges with 1,037 students and 119 Lecturers and 536 students were in Technical and Vocational Schools with 53 teachers.

## UNIVERSITY

The University of Malawi was founded in 1964.



	<u>FULL TIME</u>	<u>PART TIME</u>
1970-71 Undergraduate Numbers: Men	812	10
Women	172	-
	984	10

The following are Constituent Colleges of Malawi University:

Bunda College of Agriculture, P.O. Box 219, Lilongue  
Principal: Dr. T.C. Pinney

Chancellor College, P.O. Box 5200 Limbe  
Principal: R.G. Harris

Institute of Public Administration, P.O. Box 600, Blantyre  
Principal: V.G. Davidson

The Polytechnic, Private Bag 14, Blantyre  
Principal: G.J. Williams

Soche Hill College, P.O. Box 5496 Limbe  
Principal: B.H. Kawonga

#### RESEARCH INSTITUTES

Geological Survey of Malawi, P.O. Box 27, Zomba

Geological and Mapping Survey  
Director: F. Habgood

Ministry of Agriculture and Natural Resources, P.O. Box 303, Zomba

Conducts research in the following research stations:

Chitedze Agricultural Research Station, P.O. Box 158 Lilongwe

Conducts research in agronomy of the Central Region and into Livestock improvement.

Bvumbwe Agricultural Research Station, P.O. Box 5748, Limbe

Applied research into tree, coffee and horticulture crops

Makanga Agricultural Research Station, P.O. Chiromo

Lunyangwa Agricultural Research Station, P.O. Box Mzuzu

Fisheries Research Unit, P.O. Box 27, Monkey Bay

Research on the fishes of Lake Malawi.

Milolongwe Livestock Improvement Centre, P.O. Box 5193 Limbe

Veterinary Research Laboratory, P.O. Box 55, Blantyre

Research on endemic diseases of Malawi.

#### BANKING

The unit of currency is the Kwacha - "K" which is equal to 100 Tambala "T" K1 equals one U.S. dollar. Malawi changed to decimal currency in February 1971.

The Reserve Bank of Malawi is the Central Reserve Bank responsible for the issuing of notes and coins and for the transaction of international and financial matters.

TABLE I CENTRAL BANK (Millions of Malawi Kwacha)

	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>
Foreign Assets	18.76	17.50	24.34	24.50	27.81
Claims on Government	3.72	5.12	2.62	1.88	6.57
Other Domestic Claims	-	-	-	1.80	1.00
Reserve Money	13.61	15.20	16.56	18.71	21.33
of which: Currency Outside Banks	11.57	12.54	13.27	14.80	17.30
Government Deposits	2.64	2.74	4.51	2.93	4.07
Other Items (Net)	6.23	4.69	5.89	6.54	9.98

Source: International Financial Statistics, Volume XXVI, Number 8, August 1973

Other Banks

The Commerical Bank of Malawi

The National Bank of Malawi

TABLE II COMMERCIAL BANKS (Millions of Malawi Kwacha)

	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>
Reserves	1.91	2.62	3.26	2.86	3.80
Foreign Assets	.90	.53	.67	1.89	2.64
Claims on Government	4.20	3.48	4.02	4.20	7.12
Claims on Private Sector	19.50	22.41	26.90	34.86	37.05
of which: Farmers Marketing Board	2.44	.96	.45	1.23	1.37
Demand Deposits	13.42	15.90	19.37	22.96	22.24
Time and Saving Deposits	10.37	12.22	14.44	17.84	22.32
Foreign Liabilities	5.58	4.01	4.59	5.36	5.82
Other Items (Net)	-2.87	-3.10	-3.56	-2.36	.24

Source: International Financial Statistics, Volume XXVI, Number 8, August 1973

## ECONOMIC REVIEW

The GDP measured in real terms rose by 3.7% in 1972 despite the fact that some crops were severely affected by drought. However, in 1971, there was a rapid expansion in output of the manufacturing sector and in crop exports. The net output of agriculture rose by almost 30% to K 12 million in 1972, while "small holders farmers" income was nearly at the 1969 level, despite reduced groundnut production and loss of revenue from maize sales due to the 1972 drought. These reductions were offset by increases in sales of cotton and tobacco, so that the Farmers Marketing Board which purchases small-holder farmer crops paid out to farmers K 9.7 million compared with K 9.8 million in 1971. The net output of the manufacturing sector was estimated to have risen by 21% to K 24 million, thus increasing its share of GDP to 10%. Investment in the public sector rose by 7%. However, there was a small drop in investments in the private sector and gross fixed capital formation rose by 3% and its share of GDP fell from 17 to 16%, whilst consumption expenditure continued to rise.

Transport, marketing and distribution services play a crucial role in Malawi's economy which is so largely dependent on small-holder agriculture. Malawi now has two links to the coast; one running to Beira and the other to Nacala and improvements to external road links are now being planned. At any rate, now that the transport intra-structure is being modernized, Malawi is now planning a national transport policy which would ensure the optimum use of the various transport systems available "rail, road, lake and air". On the nationalization of foreign companies, Malawi has taken a middle course. There

has been no attempt at outright Government take-over of foreign firms, banks, and insurance companies. However, through the Malawi Development Corporation, the Government has secured a degree of local participation in a number of major commercial and industrial companies operating in the country. Malawi has therefore, been able to move closer to full economic autonomy with "cutting off the flow of foreign investment". In fact, in 1970, average GDP per person was K 60 of which only K 38 was cash income, and with an estimated population of 4.5 million, total monetary GDP was only K 152 million. However, by 1980 Malawi's GDP at factory cost is expected to be around K 541 million, the population is expected to be about 5.7 million and GDP per head estimated to be K 95. The above figures suggest a substantially faster growth rate than was achieved in 1964 to 1969. At any rate since subsistence agriculture is based on "cash in hand and kind will not be more than K 500 a year by 1980".

TABLE III INTERNATIONAL LIQUIDITY (Millions of U.S. Dollars)

	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>
Monetary Authorities Reserves	22.51	21.00	29.21	31.92	36.24
SDRs	-	-	1.89	3.79	4.99
Reserve Position in the Fund	1.39	1.40	1.41	1.54	2.07
Foreign Exchange	21.12	19.60	25.91	26.59	29.18
Reserve Bank of Malawi	20.11	18.11	24.50	26.46	27.33
Government	1.01	1.49	1.41	.13	1.85
Fund Position					
Credit Tranche Position	11.25	11.25	15.00	16.29	16.29
Drawings Outstanding	-	-	.95	1.03	.51

Source: International Financial Statistics, Volume XXVI, Number 8, August 1973.

## Exports

As in most developing countries, exports play a crucial role in Malawi's economy. Since 1964, the value of Malawi's exports has grown at a rate of 10% a year. With a fast growth in re-exports and exports of invisibles, total export earnings have increased at an average rate of 12.5% a year and have maintained a share of about 40% of monetary GDP. Between 1964 and 1970, the value of exports of agriculture crops grew at an average rate of 9.1% a year: due to greater volume of exports and higher prices.

TABLE IV INTERNATIONAL TRADE (Thousands of Malawi Kwacha)

	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>
Exports	40,044	43,972	49,697	59,302	63,710
Tobacco	10,570	12,646	16,592	22,066	24,854
Tea	9,700	9,526	10,916	11,905	12,097
Groundnuts	4,616	5,590	4,241	5,883	7,140
Cotton	1,274	1,730	2,777	2,547	2,599
Re-exports	6,486	7,384	9,120	9,725	9,397
Imports, cif	65,569	69,286	82,480	89,750	102,832
Imports, fob	58,180	61,478	71,367	.....	.....

Source: International Financial Statistics, Volume XXVI, Number 8, August 1973.

TABLE V CORP EXPORTS 1970-80 (PROJECTED VALUES K mn.)

<u>Crop</u>	<u>Actual 1964</u>	<u>Actual 1968</u>	<u>Actual 1969</u>	<u>Actual 1970</u>	<u>Projected 1975</u>	<u>Projected 1980</u>
Tea	6.68	9.70	9.53	10.92	11.16	13.27
Tobacco: Fire/Air						
Cured	5.75	5.98	6.42	8.42	12.25	14.00
Flue Cured	0.87	2.38	2.96	4.69	8.50	10.00
Burley	1.82	2.20	3.27	3.49	6.80	8.00
Groundnuts	2.23	4.62	5.59	4.24	10.72	15.00
Cotton	1.93	1.27	1.73	2.78	4.20	6.08

Table V Cont'd

<u>Crop</u>	<u>Actual 1964</u>	<u>Actual 1968</u>	<u>Actual 1969</u>	<u>Actual 1970</u>	<u>Projected 1975</u>	<u>Projected 1980</u>
Maize	0.48	3.01	2.13	-	1.50	5.40
Cassava	0.12	1.38	0.64	0.72	1.04	1.30
Rice	0.13	0.09	0.27	0.56	2.53	8.14
Pulses	1.53	0.86	1.02	1.04	2.00	2.40
Coffee	0.08	0.11	0.10	0.10	0.30	0.44
Tung Oil	0.43	0.25	0.31	0.41	0.30	0.30
Sugar	-	-	0.15	-	1.80	3.84
Other Crops	0.10	0.07	0.17	0.09	0.60	1.10
TOTAL CROPS	22.14	31.94	34.29	37.46	63.70	89.27

Annual Growth Rates (%)

1964-70	..	..	9	1975-80	..	7
1970-75	..	..	11	1970-80	..	9

Source: Statement of Development Policies 1971-1980 Government of Malawi

Exports of manufactured goods since 1970 have continued to rise. The rate of growth projected for "exports of non-factor services" between 1970 and 1980 follows closely the rate projected for exports of goods, averaging 11% a year. Total receipts from exports and services are projected as follows: 1970 K 8.1 million; 1975 K 13 million and 1980 K 21.93 million. Total exports, excluding re-exports, but including invisibles, are projected to increase "at a rate of 10.5% a year and maintain a roughly constant 1/3 share of monetary GDP".

TABLE VI GOVERNMENT FINANCE (Millions of Malawi Kwacha)

	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>
Deficit(-) or Surplus	-13.65	-13.10	-25.51	-21.89	-27.78
Revenue	29.49	32.07	38.60	45.91	52.44
Foreign Grants Received	9.24	6.09	9.39	3.72	2.99
Expenditure and Net Lending	52.39	51.26	73.49	71.53	83.21
Expenditure	51.21	51.21	47.01	.....	.....
Net Lending	1.18	4.25	-	.....	.....
Financing					
Net Borrowing: Domestic	5.60	4.63	-2.71	.10	4.17
Foreign	7.97	13.85	30.93	14.54	15.81

Source: International Financial Statistics, Volume XXVI, Number 8, August, 1973

BUDGET 1971-1972

The budget for 1971/72 showed taxation changes to cover the budget deficit of about K 2.5 million. The additional customs duty of 8% imposed in the 1969/70 budget was removed and the basic rate of sales tax introduced in 1970/71 was increased from 5 to 10%. Poll tax was reduced from K 3.75 to K 3.50 per annum.

Expenditure for the Development Budget for 1971/72 was estimated at K 35.2 million. The main allocations in the estimates are for agriculture and natural resource, roads and transport, the new capital at Lilongwe, electric power and education. The estimated deficit of K 9.6 million and the accumulated deficit on "the Consolidated Revenue Account was offset by British budgetary aid of K 3.6 million". Against the estimated expenditure of K 41.8 million in the ordinary budget for 1971/72 Revenue is estimated at K 40.5 million leaving an estimated deficit of K 1.3 million. This figure is below the ceiling of approximately K 1.9 million in 1964 when Malawi attained independence. In 1971 there was a 12.5% increase at



constant prices in agriculture production to the GDP and at current market price, Malawi's GDP grew by nearly 18% in 1971, while in real terms the income per head rose by over 6%. Purchases by the Agricultural and Marketing Board from small-holder farmers was nearly 50% higher in 1971 than in 1970 and fixed investment was K 52 million in 1971. Exports rose by nearly 19% and the balance of payments figure was extremely healthy showing Malawi's total external reserves was K 22.8 million. As a result, the accumulated deficit showed a cash surplus of K 500,000 which was brought forward to offset against budgetary aid for 1971/72.

TABLE VII BUDGET

(K mn)	1969 <sup>a</sup>	1970/71 <sup>a</sup>	1971/72 <sup>b</sup>
<u>Current revenue (gross)</u>	36.6	43.9	50.1
of which:			
external grants & loans (gross)	2.8	2.7	2.3
interest & loan redemption	1.7	2.4	3.6
income tax	11.4	12.1	13.8
customs & excise	13.0	17.0	22.0
<u>Current expenditure (gross)</u>			
of which:			
police, prisons, justice & defence	4.0	4.2	4.4
debt service	4.9	6.7	8.4
education	7.7	8.0	8.6
<u>Development expenditure</u>			
of which:			
natural resources	5.3	6.6	9.7
transport & communications	6.6	18.5	8.2
education	1.5	2.8	2.3
new capital	1.3	2.6	3.1

a Actual.      b Estimate.

### 1972-73 DEVELOPMENT BUDGET

The estimate for development expenditure for 1972-73 is K 31.3 million. The largest allocations going to agriculture, transport and communications. These together account for more than one half of the total planned expenditure. About 70% of the development budget is to be financed from external loans, 7% from external grants and the balance from internal resources. Development policies are aimed at doubling the GDP between 1970 and 1980, which would imply an increase of about 66% in per capita income. The development plan is based on a rapid expansion of agricultural output and stresses the role of specific development projects, particularly in the field of agriculture, rural development, education and land development.

### BALANCE OF PAYMENTS

In 1970, exports were K 40.3 million while re-exports rose by K 1.7 million to K 9.1 million. Total exports was K 49.4 million. However, imports-fob increased sharply from K 61.5 million to K 71.3 million in 1970 and the visible trade deficit for the year was K 21.9 million. See Table III. The growth in exports was largely due to increased production of tea and tobacco. Tobacco exports continued to benefit from the embargo on Rhodesia's tobacco crop in world markets. World tea prices recovered from the depressed levels of 1969 and in the case of Malawi teas, the recovery was particularly strong. This, combined with a 3% increase in the volume of trade raised the value of tea exports to K 10.9 million. Two important export crops, maize and groundnuts were adversely affected by drought. Groundnut prices were 15 percent higher, but due to the poor yield, the quantity exported was seriously reduced, so that the total value of exports fell 25% below the 1969 level. In 1969, maize worth K 2 million had been exported, but because of the poor crop, no maize was exported and it became necessary to import maize worth more than K 5 million. High production of cotton for export led to a 59% increase in export earnings from cotton. However, imports from Rhodesia rose to 22% of the total due to the exceptional large maize imports.

The visible trade deficit of K 21.9 million was adjusted to K 20.0 million on a balance of payments basis. The adjustments include a reduction of K 2 million from imports for maize, a reduction of K 1 million from re-exports for hired equipment. The net outflow of payments was estimated to have fallen by K 400,000 because of the reduction of the British grant-in-aid. However, this and the higher deficit on visible trade, were largely balanced by the greater net "inflow of factor incomes and non-factor service payments". The deficit for 1972 was met by an estimated capital inflow of K 21 million. The net inflow of public long-term capital in 1972 was estimated at K 26.4 million. This included loans of K 13.2 million from South Africa to finance the development of the Nacala rail link and the new capital at Lilongwe. In January, 1970, Malawi received a K 1.6 million allocation of Special Drawing Rights from the International Monetary Fund. This, combined with large inflows of foreign aid during the year contributed to a record K 6.8 million increase in Malawi's foreign exchange reserves, which amounted to K 21.8 million at the end of 1972.

TABLE VIII BALANCE OF PAYMENTS (Millions of US Dollars)

	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>
Goods and Services	-44.2	-47.9	-51.8	43.8	.....
Trade Balance fob	-20.4	-21.4	-24.8	-21.2	.....
Investment Income	-7.0	-7.2	-10.1	-7.5	.....
Other	-16.8	-19.3	-16.9	-15.1	.....
Transfers: Private	1.9	2.0	2.1	2.1	.....
Central Government	15.9	16.5	13.2	10.2	.....
Deposit Money Banks: Assets	17.9	14.9	2.5	14.1	.....
Liabilities	-2.0	-.3	-.7	.5	.....
Allocation of SDRs	-	-	1.9	1.6	.....
Monetary Authorities	-	1.5	-8.1	-.2	.....
Monetary Gold	-	-	-	-	.....
SDR Holdings	-	-	-1.9	-1.6	.....
IMF General Account	-	-	-	-	.....
Other Assets	-	1.5	-6.2	1.4	.....

Source: International Financial Statistics, Volume XXVI, Number 8, August 1973.

DEVELOPMENT PLAN 1971-1980

Malawi's development plans are outlined in the "Statement of Development Policies 1971 to 1980". It states that "the vast majority of Malawi's population depends for its livelihood on peasant farming and top priority is being given to raising agriculture production. Out of an economically active population of approximately 1.5 million, less than 150,000 are in paid employment and about 250,000 are working in neighbouring countries. This leaves over 1,000,000 workers and their dependents whose only income is derived from small scale agriculture.

Malawi is not aiming only at mere self-sufficiency in food supplies, but also at specialized production of selected crops for exports. It is estimated that in 1970, subsistence production and services amounted to 40% of the total GDP. As agricultural production and farmers income increase, agricultural policy are being concentrated on those crops which will earn high foreign exchange. Rising output in primary production will give rise to increasing opportunities for the processing industries. Equally, rising incomes derived from the sale of export crops will open up markets for industries producing consumer and agricultural goods. However, the establishment of capital intensive industries by foreign firms would make a direct contribution to the elimination of poverty. It appears that Malawi's development strategy rules out the promotion of highly capital-intensive undertakings, unless their function is clearly essential and therefore, a high level of protective tariffs are being avoided since it would lead to a serious rise in the prices of basic consumer commodities.

The objectives of the development plan envisage a high investment in the public sector of some K 370 - K 380 million by 1980. Of this, some K 110 million will be spent in the transport sector with K 60 million being spent on roads, and about K 70 million in agriculture. Of the total investment, it is expected that some K 150 million will be undertaken by

public enterprises which will be financed by external borrowings by the Government. The Government will, therefore, have to find some K 225 million to cover its own direct investment, plus "K 100 million for on-lending to the public enterprises". To this would have to be added a further K 40 million of recurrent expenditure to reach a total requirement of K 365 million on the development budget.

### AGRICULTURE

Agriculture is the main economic activity and tea and tobacco are the main export crops. The tobacco crops have grown rapidly in quantity and price since 1965, helped by the embargo of Rhodesian tobacco from world markets. After tobacco, tea is Malawi's second largest export crop. Other crops grown are groundnuts, cotton, rice, cassava, sugar and tung oil. The livestock and dairy industry is expanding and in the current development plan, high priority is given to this sector. There is a thriving fishing industry based on lakes Malawi and Chilwa.

TABLE IX MARKETED PRODUCTION OF MAIN CROPS

	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>
Tea (mn lb)	37.1	34.8	37.3	41.3	41.0	45.6
Tobacco (mn lb)	35.6	33.5	28.8	48.9	57.9	67.6
Groundnuts ('000 tons)	47.3	25.1	40.9	29.8	41.9	.....
Seed cotton ('000 tons)	13.2	12.8	20.2	23.5	24.4	.....
Maize ('000 tons)	100.0	92.2	58.1	9.1	37.3	.....
Pulses ('000 tons)	23.3	3.8	18.1	8.9	19.0	.....
Raw sugar ('000 tons)	18.1	21.0	29.6	36.1	38.0	.....
Paddy ('000 tons)	5.1	2.3	9.3	9.9	20.0	.....

Sources: ADMARC and Ministry of Agriculture.

The total area of timber plantations in Malawi is about 110,000 acres. Government plantations account for 91,876 acres of which 55,807 acres is the area of Vipya Pulp Wood Plantation. A market study of Vipya project was undertaken during 1970 by UNDP and indications are that the results are encouraging, so that a full scale feasibility study of the project will be undertaken by the end of this year.

### INDUSTRY

Industry in Malawi is broadly defined to include construction, mining and public utilities. Most of the growth in the manufacturing industry are due to the greater volume of export of tea and tobacco as well as to the growth of import substitution. Recently, there has been a marked increase of wood products, steel products, pesticides and knitwear. The output of building and construction maintained a very high level of activity during 1971-72.

### TRANSPORT AND COMMUNICATIONS

#### Railway

There are 574 miles of railway between Beira in Mozambique and Nacala. A new line of 63 miles Balaka to Nova Freixo provides Malawi with a direct route to the port of Nacala.

#### Roads

There are 6,410 miles of roads of which 1,831 are tarmac. "The Kamuzu Highway" a road of 300 miles along the edge of Lake Malawi is under construction; also the 140 miles from Limonde to the new capital of Lilongwe.

#### Airport

Chileka, which is eleven miles from Blantyre is the main international airport. At present, there are extensive reconstruction of the runways which will accommodate jumbo jets and are to be expected to be completed by the end of 1974.

## Aid

Malawi has received aid from a wide variety of sources including the UK, West Germany, Denmark, the United States and the World Bank. Total foreign grants and loans from independence to 1971 have totalled K 169 mn, of which more than 70% has been from UK. In 1968 South Africa made two major loan commitments: K 9.4 mn for the new capital and K 12.8 mn for the new rail link to Mozambique. This growing relationship with South Africa is of enormous political significance; Malawi is the only black African state to have exchanged ambassadors with South Africa. A loan of up to K 5 mn has been made by the Portuguese for a road from Blantyre to the Mozambique border. The UK, West Germany and the USA are lending K 12 mn for the new 400 mile lakeshore road and IDA a further K 11 mn for agricultural development.

## LOANS

The Federal Republic of Germany is contributing Sh. 30 million of the total cost of Sh. 42.5 for the construction of 8 storage facilities for the Produce Marketing Board.

The Danish Government gave a loan of 40 million Danish Kroner, about K 4.8 million to finance development projects - a new hospital in Lilongwe, street lighting in Lilongwe, post and telecommunication projects and rural water projects. This brings the total amount of loans received from the Danish Government of K 10 million.

Canada gave a loan of \$16,000,000 for the purchase of locomotives.

Malawi and U.S. Government recently signed a loan agreement for \$8.3 million U.S. to finance the Chikwawa - Bangula and the Lilongwe - Mehinji roads.

USAID is to provide a K 6.4 million for road improvements.

The British Government is to provide a loan of K 1.3 million for road improvements, and bridge construction.

By the end of 1972, the number and value of UNDP projects in Malawi were "three large scale" projects valued at \$U.S. 2,390,700 and seven small-scale projects valued at \$U.S. 397,830.



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